

# MOSES KOTANE LOCAL MUNICIPALITY



FINANCIAL STATEMENTS  
2011/2012

# MOSES KOTANE LOCAL MUNICIPALITY



## Foreword by the Mayor 2011-2012

The council concluded its first financial year in its five year term and it is an honour to provide a short forward to the financial statements for the financial year ended 30 June 2012

The new council immediately engaged in strategic planning to address problems that might still have remained from the past and to plan for the next five year.

The new Budget and Reporting Regulations were implemented with the 2010-2011 and this was the second year that the high level budget format were used very successfully for management purposes and resulted in a surplus of R 57,257 million.

The Integrated Development Plan was revised through an extensive public consulting process while the budget was aligned with the IDP.

The following table indicates major Capital Expenditure Projects during the Financial Year which was financed with MIG funds, External Loans, Internal Resources, Transfers and District Municipality funding to the amount of R 89, 754, 960 million which is an improvement on the previous financial year.

### CAPITAL EXPENDITURE

Roads and storm water	R 18,393,599
Sewerage	R 7,091,311
High mast- and Street lighting	R 1,355,718
Municipal Buildings	R 7,469,081
Parks and Sport Facilities	R 4,534,693
Water provision	R 41,886,770
Solid Waste Disposal Site	R 1,786,954
<b>Total</b>	<b>R 82,518,126</b>

Notwithstanding the above mentioned capital spending the backlog in service delivery remains a huge challenge and the council is doing it utmost best to provide services where it is the mostly needed.

The Council's Medium Term Revenue and Expenditure Framework for the next three years focus on addressing backlogs in water- and sanitation services

while projects such as the new refuse disposal site which was recently completed will provide an environmental friendly service to our community.

Please accept my appreciation for support from the Speaker, Chief Whip, Executive Committee members and all partime Councillors for their assistance in achieving the preset goals.

The two Heads of Departments that were Acting as Municipal Manager during the financial year and their staff must also be commented for the hard work and dedication to achieve the pre-set goals.

Allow me to express a word of welcome to our new Municipal Manager Ms Nono Dince. We wish her a very successful career in our municipality and assure her of my, the Executive Committee and the Councils support in the execution of her duties.

**Clr. F. Mokati-Thebe**

**MAYOR AND CHAIRPERSON OF THE EXECUTIVE COMMITTEE**

**MOSES KOTANE LOCAL MUNICIPALITY**  
**REPORT OF THE CHIEF FINANCIAL OFFICER**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**1. INTRODUCTION**

The Budget and Treasury Office, contrary to previous financial years, could meet all reporting targets. Section 71 and 72 reports were completed and submitted timeously in all reporting periods. The Adjustment Budget was completed and approved on time while all targets were met with the tabling and approval of the 2012-2013 Budget and MTREF. At this point in time all budget related reports and returns have been submitted to National Treasury while the Annual Financial Statements were completed and submitted to the Auditor-General before 31 August 2012.

The filling of core positions such as the Manager: Budget and Reporting was successful in December 2011. Three positions in the expenditure unit and certain positions in SCM remain vacant and should be filled as a matter of urgency.

The accounting system has been upgraded in December 2010 with the implementation of E-Venus. The system meets all accounting requirements and the reconciliations at year end were satisfactory.

The development of the GRAP 17 asset register progressed well and all assets have been unbundled into the various engineering components. The project was finalised in June 2012 and all assets further broken down into manageable components. We believe that the progress made with the asset register will improve the audit outcome of the municipality.

The vSMART integrate asset management system has been installed in the centralised Information Technology new secured building and access provided to staff responsible for the maintenance of the system. Training to users is progressing well while the staff of the Auditor-General will be trained during September 2012.

The Integrated Development Plan was totally revised and aligned with the Budget for 2012-2013 and the MTREF for 2012-2013 / 2014-2015.

The financial year ended with a surplus of R **57 257 417**

The surplus is due to the increase in the sale of water and the transfer of the conditions met on the Municipal Infrastructure Grant to revenue.

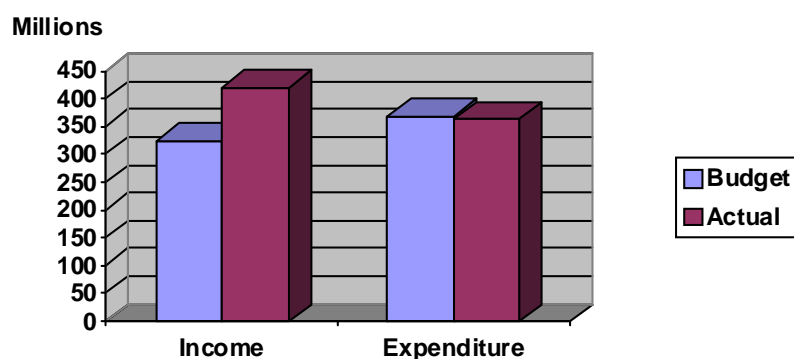
Cost recovery for the year decreased to 68% as the result of the Mogwase community's demand for zero accounts. The Council decided in July 2012 to write off all outstanding water accounts as at 31 May 2012. The condition is that credit control will be applied very strict in future which will hopefully result in the increase of payment levels. The debt of State- and Provincial Departments decreased with nearly nine million rand and meetings are held regularly to resolve on the last accounts outstanding.

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**2. REVIEW OF OPERATING RESULTS**

Details of the operating results per department and classification of income and expenditure are included in appendices D and E. A graphical presentation of the operating results is shown in the graph below:

**OPERATING RESULTS 2011/2012**



The overall operating results for the year ending 30 June 2011/2012 are as follows:

Description	Budget 2011/2012 R	Actual 2011/2012 R	Variance Actual! Budget %	Actual 2010/2011 R
<b>INCOME</b>				
Operating income for the year	325 023 994	420 704 931	-29.44	305 072 384
Closing deficit/surplus	43 807 372			14 546 043
				<b>319 616 427</b>
<b>APPROPRIATIONS</b>				
			-	
	<b>342 982 847</b>	<b>420 704 931</b>	<b>-29.44</b>	<b>319 616 427</b>
<b>EXPENDITURE</b>				

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Operating expenditure for the year	<b>368 831 366</b>	363 447 514	1,5	<b>319 619 427</b>
Closing surplus		57 257 417		
		<b>420 704 931</b>	<b>1,5</b>	<b>319 619 427</b>

### **OPERATING INCOME 2011/2012**

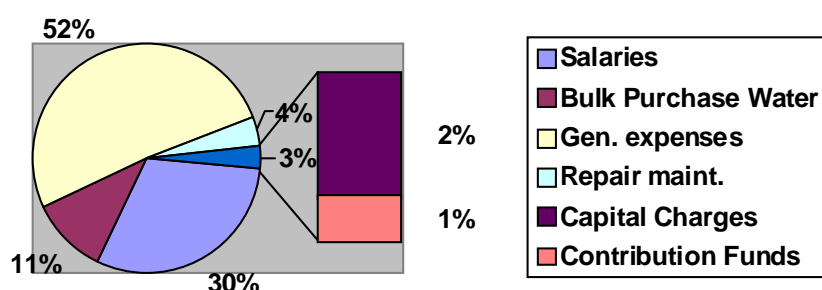
The amount received for Equitable Share also increased from R 179 million to R 203.8 million

The sale of water increased by R 24.4 million.

The increase in the sale of water is due to the implementation of the E-Venus financial system where the information is more reliable than the previous financial system where many information extracted from the system was questionable.

### **3. OPERATING EXPENDITURE 2011/2012**

The graph below indicates the breakdown per main expenditure group before inter departmental charges.



**FOR THE YEAR ENDED 30 JUNE 2012**

The following shows the expenditure per grouping versus amounts budgeted:

<b>Expenditure</b>	<b>Budget 2011/2012 R</b>	<b>Actual 2011/2012 R</b>	<b>Difference Actual/Budget 2011/2012 R</b>	<b>Actual 2010/2011 R</b>
Remuneration	111 334 666	109 721 338	1 613 328	94 499 435
Bad Debts	28 401 604	30 602 652	-2 201 048	20 632 033
Collection Costs				
Depreciation	67 993 395	74 346 503	-6 353 108	73 754 677
Repairs and Maintenance	20 670 590	14 917 617	5 752 973	12 283 851
Interest Paid (capital charge)	10 050 679	9 047 946	1 002 733	10 207 201
Contribution to funds	760 000	3 138 881	-2 378 881	7 951 225
 Bulk purchases	 35 000 000	 39 992 456	 -4 992 456	 31 733 454
Loss on disposal of PPE		1 539	-1 539	
Contracted services	14 200 000	13 876 065	323 935	12 998 447
Contribution Capital expend	0	1 762 556	-1 762 556	844 873
General Expenses	80 420 432	66 039 961	14 380 471	54 711 231
<b>Net expenditure</b>	<b>368 831 366</b>	<b>363 447 514</b>	<b>5 383 852</b>	<b>319 616 427</b>

**SURPLUS FOR THE YEAR** **R 57 257 417**

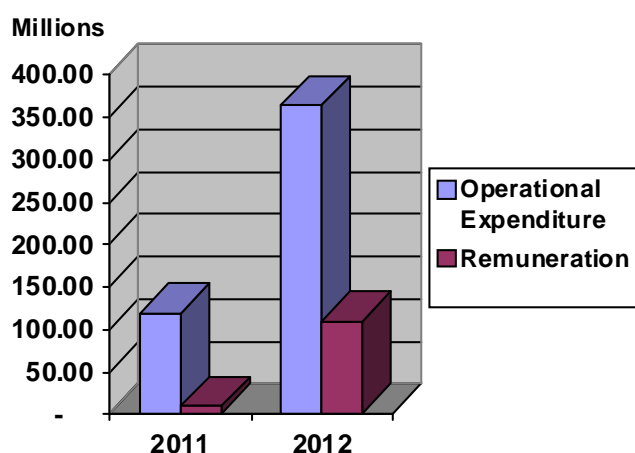
The surplus is due to the increase in the sale of water and the transfer of the conditions met on the Municipal Infrastructure Grant to revenue

The increase in the sale of water is due to the implementation of the E-Venus financial system where the information is more reliable than the previous financial system where many information extracted from the system was questionable.

The variation between the budgeted amount and the actual expenditure is due to saving on general expenditure items

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**3.1 REMUNERATION vs. OPERATING EXPENDITURE**



The increase in remuneration expenditure from the 2010/2011 financial year to the 2011/2012 financial year is due to salary increases and disparities that was corrected

The saving on expenditure of R 1.6 million on remuneration compared to the budget can be attributed to savings realized on vacancies not filled as well as vacancies filled at a later stage during the financial year.

**3.2 GENERAL EXPENDITURE**

**SAVINGS**

The following savings mainly contributed to the variation in budgeted and actual expenditure:

- Repair and Maintenance R 5,7 million

Various items were overspent due to the under provision for expenditure on the budget:

- Bulk purchases R 4.9 million

The following increases in expenditure contribute to the variation in actual expenditure during the 2010/2011 and 2011/2012 financial years:

- Audit Fees R 0,8,4 million  
 - Depreciation R 5,0 million  
 - Electricity for Street Lights R1,6 million



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- Legal Fees	R1,8 million
- Printing and Stationery	R0,6

**3.3 CAPITAL CHARGES**

An amount of R 10,05 million was provided for the servicing of existing external loans as well as the raising of new loans.

**3.4 REPAIR AND MAINTENANCE**

The saving on repair and maintenance is due to the lack of capacity in the Engineering Department.

**3.5 CONTRIBUTIONS**

Provisions made for expenditure towards bad debts and leave liabilities which were R 30.6 million and R 2.8 million respectively.

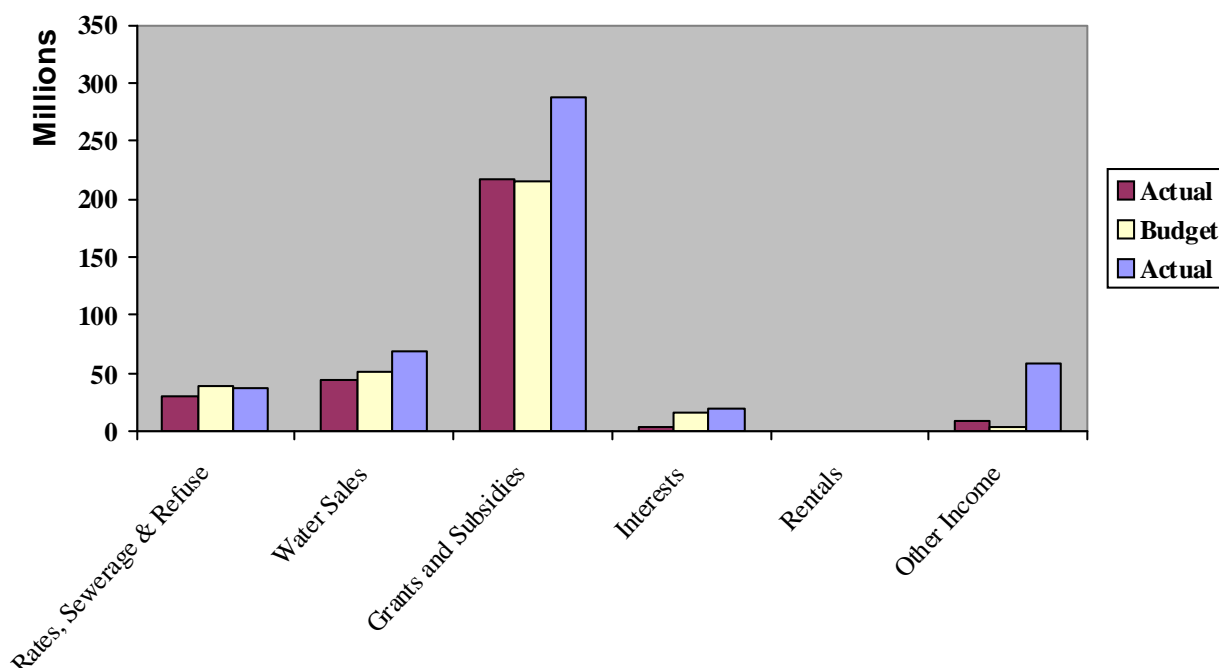
**3.6 LESS: CHARGED OUT**

The amount charged out represents administration cost and has no influence on the total expenditure

**MOSES KOTANE LOCAL MUNICIPALITY**  
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**4. OPERATING INCOME**

The following graph is a presentation of the different income types.



Income per income category is as follows:

INCOME	Budget 2011/2012 R'	Actual 2011/2012 R'	Variance 2011/2012		Actual 2010/2011 R'
			R'	%	
Assessment Rates, Sewerage and Refuse	38 279 696	37 914 619	365 077	0.009	30 311 282
Water Sales	50 600 000	69 520 289	18 920 289	-1.38	45 062 869
Grants and subsidies	215 833 058	287 759 349	71 926 291	-33.3	217 421 387
Interests	16 500 000	19 739 937	3 239 937	-19.6	3 689 005
Rentals					
Other income	3 811 240	5 770 737	1 959 497	-51.4	8 585 841
<b>Totals</b>	<b>325 023 994</b>	<b>420 704 931</b>	<b>95 680 937</b>	<b>-29.4</b>	<b>305 070 384</b>

**MOSES KOTANE LOCAL MUNICIPALITY**  
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**4.1 USER LEVIED CHARGES:**

**ASSESSMENT RATES**

The new Property Rates Act has been implemented as from 1 July 2008 which determined that property rate rates will be calculated on the improved value and no longer on the land and improvements respectively

**OTHER USER CHARGES**

<b>Description</b>	<b>Budget 2011/2012 R'</b>	<b>Actual 2011/2012 R'</b>	<b>Variance 2011/2012 %</b>	<b>Actual 2010/2011 R'</b>
Assessment rates	32 584 400	31 894 887	2.28%	28 478 669
Water Sales	50 600 000	69 520 290	37.4%	45 062 870
Sewerage charges	948 096	2 282 324	-240.73%	1 101 129
Refuse removal	4 747 200	3 737 407	21.3%	731 484
<b>Totals</b>	<b>88 879 696</b>	<b>107 434 908</b>	<b>20.88%</b>	<b>75 374 152</b>

**4.2 TARIFF CHARGES LEVIED:**

A new tariff structure for property rates has been implemented as from 1 July 2011.

**4.3 GRANTS AND SUBSIDIES:**

<b>Description</b>	<b>2011/2012</b>		<b>2010/2011</b>	
	<b>Budget R'</b>	<b>Actual R'</b>	<b>Budget R'</b>	<b>Actual R'</b>
Equitable Share	203 765 000	203 765 000	179 214 000	179 213 533
National grants	11 868 058	83 823 414	9 448 526	7 551 519
Provincial grants		170 935	397 000	
District Municipality	200 000			
<b>Total</b>	<b>215 833 058</b>	<b>287 759 349</b>	<b>188 662 526</b>	<b>186 765 052</b>

The variation in the actual amounts between the 2010/2011 and 2011/2012 financial years are due to the increase of the equitable share and the transfer of the Municipal Infrastructure Grant to revenue.

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**4.4 TRADING SERVICES**

The total water services operation was transferred on 1 July 2006 and the trading results are indicated under user charges.

**5. MUNICIPAL DEBT**

At the end of the financial year the amounts borrowed and outstanding were as follow:

<b>Type of debt</b>	<b>2011/2012 R'</b>	<b>2010/2011 R'</b>
Long-term loans	89 145 103	88 530 685
<b>External funds: Total</b>	<b>89 145 103</b>	<b>88 530 685</b>

**6. ACCUMULATED FUNDS, RESERVES AND PROVISIONS**

Detail of the reserves and provisions are stated in Notes 3 and 9.

<b>Description</b>	<b>2011/2012 R'</b>	<b>2010/2011 R'</b>
Provision for leave	9 389 370	9 216 275
Provision for Bad Debt	90 618 778	60 344 986
Accumulated surplus/deficit	257 920 296)	294 911 285

**7. DEBTORS**

Details regarding the debtors are provided in Notes 10

The consumer debtors increased by R57 million.

The credit control measures for the recovering of outstanding debts will be strictly implemented

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<b>Description</b>	<b>2011/2012 R'</b>	<b>2010/2011 R'</b>	<b>2009/2010 R'</b>
Debits levied	107 434 908	75 374 151	74 653 922
Balance on 1 July	109 795 972	95 641 853	76 089 159
Balance on 30 June	169 899 248	109 795 972	95 641 853
<b>Average balance</b>	<b>125 112 358</b>	<b>102 718 912</b>	<b>86 865 506</b>

## **8. CAPITAL EXPENDITURE AND FINANCING**

As far as the capital expenditure is concerned, Council addressed the backlog in certain areas without neglecting the current assets. Backlogs in infrastructure were given a very high priority during the approval of the capital- and operating expenditure. In addition, the Council adhered to guidelines that National Treasury had set for capital expenditure while capital expenditure program was IDP driven. The expenditure incurred during the year in respect of fixed assets, amounted to R 89 754 960

The table shows the distribution of the fixed assets according to the type of asset:

<b>Type of Asset</b>	<b>Original Budget 2011/2012 R'</b>	<b>Actual 2011/2012 R'</b>	<b>Actual 2010/2011 R'</b>
Land and Buildings	9 200 000	4 392 913	2 695 590
Infrastructure	152 683 784	69 158 635	31 143 832
Community Assets	49 032 059	11 451 517	5 971 154
Heritage Assets			0
Other Assets		4 751 895	1 237 814
Land Transfer	3 300 000		
<b>Total</b>	<b>214 215 843</b>	<b>89 754 960</b>	<b>41 012 388</b>

The above-mentioned fixed assets were financed from the following sources:

**MOSES KOTANE LOCAL MUNICIPALITY**  
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**FOR THE YEAR ENDED 30 JUNE 2012**

<b>Type of finance</b>	<b>Budget 2011/2012 R'</b>	<b>Actual 2011/2012 R'</b>	<b>Actual 2010/2011 R'</b>
External Loans	15 000 000	4 308 804	5 859 790
Capital Reserve Fund			
Grants	196 215 843	82 217 287	32 794 750
Own Revenue	3 000 000	3 228 869	2 357 848
General Capital			
	<b>214 215 843</b>	<b>89 754 960</b>	<b>41 012 388</b>

**SUBSEQUENT EVENTS**

**9. INVESTMENTS**

External investments on 30 June 2012 amounted to R 132 491 086 compared to R77 429 743 for 2010/2011.

<b>INVESTMENTS AS AT 30 JUNE 2011/2012</b>	
<b>INSTITUTION</b>	<b>AMOUNT</b>
ABSA Fixed Deposit-12 Months	211 425
ABSA Call Accounts	132 279 661
<b>Total Investments</b>	<b>132 491 086</b>

**MOSES KOTANE LOCAL MUNICIPALITY**  
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**10. HOUSING**

The council is acting as an agent for the Northwest Province for the building of RDP houses. The property on which the houses are built belongs to the Traditional Authorities in that area and not to the council.

The houses will also be the registered in the name of the beneficiary whom is receiving a subsidy from Provincial Government.

The money received from the Northwest Province is paid into a separate bank account from where the suppliers are being paid.

**EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, the Executive Committee, Municipal Manager, Councilors and Departmental Managers for the support they have given to the department during the 2011/2012 financial year. A special word of appreciation is extended to the team of the Budget and Treasury Office for the months of hard work, sacrifices and dedicated efforts during the financial year to enable us to finalize these financial statements. A special word of thanks to the HOU's: Expenditure and Revenue for their dedication and countless days and nights spent to achieve the goals. To the Managers that came in after hours to help with the final reconciliations please accept our appreciation.

**Mr. J.T. Potgieter**  
**Chief Financial Officer**  
**Moses Kotane Local Municipality**  
**30 August 2012**

**MOSES KOTANE LOCAL MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**  
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# MOSES KOTANE LOCAL MUNICIPALITY

## GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2012

### **SPEAKER**

Councillor

Diale Ralesole Abram

### **MAYOR**

Councillor

Mokati-Thebe Fetsang

### **MEMBERS OF THE EXECUTIVE COMMITTEE**

Councillors

Mokati-Thebe Fetsang ( Chair Person )

Tshethane D

Nkotsoe N

Leswelo K

Manganye T R

Motshabi C N

Motshegoe S K

setou A

Tlabyane D R

### **MEMBERS OF THE COUNCIL**

Councillors

1	Ndlovu H
2	Moyo F
3	Mkhandawiri L
4	Nhlapo L
5	Tau D
6	Moloi N
7	Ntshabele S
8	Leoto D
9	Motshegoa P
10	Zitha L
11	Matshereng N
12	Ramokoka A
13	Motlhaga R
14	Masilo J
15	Letlape A T
16	Pheto R
17	Manganye B
18	Radiokana M
19	Mekgwe J
20	Tshethane D
21	Vava S
22	Khunou M K
23	Nkotsoe N
24	Magodielo A
25	Pele J
26	Sekao H
27	Makgothi T
28	kLukhele RM
29	Moeng T
30	Monnakgotla C T
31	Monyatsi M

## MOSES KOTANE LOCAL MUNICIPALITY

### GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

#### MEMBERS OF THE COUNCIL: PROPORTIONAL

##### Councillors

Mokgatlhe M M  
Diale R A  
Moraope S  
Lephoto E  
Moruwa E  
Lesele K  
Motshabi C N  
Manganye T R  
Motshegoe S K  
Maretele J  
Motsoenyane Z  
Mashimo R E  
Nondzaba M  
Mashjisi S N  
Rakatane B  
Matlapeng S S  
Ramapotoka G  
Matshaba M Z  
Rasepae III M  
Mngomezulu P  
Sekhu S K  
Moate L  
Selotlego D J  
Moatshe G D  
Setou A  
  
Thusi B  
Mokati-Thebe Fetsang  
Tlabyane D R  
Deleki N  
Tshiti L M J

##### GRADING OF LOCAL AUTHORITY

4

##### ACTING MUNICIPAL MANAGER

Me Matshidiso Jansen

##### CHIEF FINANCIAL OFFICER

Mr Johan T Potgieter

##### AUDITOR

The Auditor General of South africa

##### BANKERS

ABSA Bank Rustenburg

##### REGISTERED OFFICE

Civic Centre  
Mogwase  
314

##### POSTAL ADDRESS

Private Bag X 1011  
Mogwase  
Q314

##### CONTACT INFORMATION

Telephone: (014) 555 1300  
Fax : (014) 555 6368  
Email : municipalmanager@moseskotane.gov.za

##### APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 5 to 60 were approved by the Municipal Manager on 31 August 2012 . It will be presented to the Executive Committee and Council.

##### MUNICIPAL MANAGER

Me Nono Dince

##### CHIEF FINANCIAL OFFICER

Mr Johan T Potgieter

**MOSES KOTANE LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012**

<b>NET ASSETS AND LIABILITIES</b>	<b>Notes</b>	<b>2012 R</b>	<b>2011 R</b>
<b>NET ASSETS</b>		<b>738 484 432</b>	<b>655 086 263</b>
Government Grant Reserve		480 564 136	396 506 378
Accumulated Surplus		257 920 296	258 579 885
<b>NON - CURRENT LIABILITIES</b>		<b>81 427 996</b>	<b>77 502 927</b>
Long - Term Liabilities	1	80 827 996	77 202 927
Non - Current Provisions	2.1	600 000	300 000
<b>CURRENT LIABILITIES</b>		<b>160 695 097</b>	<b>133 038 026</b>
Provisions	2.1	9 389 370	9 516 275
Creditors	3	29 903 939	29 451 909
Unspent Conditional Grants and Receipts	4	97 747 897	75 436 442
VAT	5	15 336 784	7 305 637
Current Portion of Long- Term Liabilities	1	8 317 107	11 327 763
<b>TOTAL NETT ASSETS AND LIABILITIES</b>		<b>980 607 525</b>	<b>865 627 216</b>
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>		<b>744 297 046</b>	<b>703 901 077</b>
Property, Plant and Equipment	6	744 085 621	703 702 556
Investment	7	211 425	198 521
Long - Term Receivables			
<b>CURRENT ASSETS</b>		<b>236 310 479</b>	<b>161 426 139</b>
Inventory	8	14 355 718	14 670 848
Consumer Debtors	9-10	79 280 470	52 310 128
Other Debtors	11	8 530 362	8 458 648
Call Investment Deposits	12	132 279 661	77 231 222
Bank Balance and Cash	13	1 864 268	8 755 293
<b>TOTAL ASSETS</b>		<b>980 607 525</b>	<b>865 327 216</b>

**MOSES KOTANE LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012**

	<b>Note</b>	<b>2012 R</b>	<b>2011 R</b>
<b>REVENUE</b>			
		420 704 931	305 070 384
Property Rates	14	31 894 887	28 478 669
Service Charges	15	75 540 021	46 895 482
Sales of Housing			162 809
Rental of facilities and equipment			0
Interest earned - external investment	22	6 327 571	3 869 005
Interest earned - outstanding debtors		13 208 299	6 607 814
Fines		3 653 750	0
Government Grants and Subsidies	16	287 930 284	217 421 387
Commission Received		80 195	59 509
Other Income		2 069 924	1 575 709
Public contributions and Donations	17		0
Gains on disposal of property plant and equipment			0
<b>TOTAL REVENUE</b>		<b>420 704 931</b>	<b>305 070 384</b>
<b>EXPENDITURE</b>			
Employee related costs	18-19	93 974 262	81 160 150
Remuneration of Councilors	20	15 747 076	13 339 285
Debt Impairment		30 602 652	20 632 033
Depreciation and Amortisation		74 346 503	73 754 677
Repairs and Maintenance		14 917 617	12 283 851
Finance Costs	21	9 047 946	10 207 201
Bulk Purchases Water	23	39 992 456	31 733 454
Contracted services		13 876 065	12 998 447
Contribution to Funds		3 138 881	7 951 225
General Expenses		66 039 961	54 711 231
Contribution to Capital Expenditure	25	1 762 556	844 873
Loss on disposal of property, plant and equipment		1 539	0
<b>TOTAL EXPENDITURE</b>		<b>363 447 514</b>	<b>319 616 427</b>
<b>DEFICIT FOR THE YEAR</b>		<b>57 257 417</b>	<b>-14 546 043</b>
Refer to Appendix E for the comparison with the approved budget			

<p style="text-align: center;"><b>MOSES KOTANE LOCAL MUNICIPALITY</b></p> <p style="text-align: center;"><b>STATEMENT OF CHANGE IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012</b></p>						
	Pre -GAMAP Old Reserves and Funds R	Government Grants Reserves R	Capitalisation Reserves R	Donation and Public contribution Reserves R	Accumulation Surplus / (Deficit)	Total R
<b>2011</b>						
Correction						
<b>Restated balance</b>		393 841 316			312 122 390	705 963 706
Surplus /Deficit for the year		0			-14 546 043	-14 546 043
Capital grants used to purchase PPE		33 645 298			-33 645 298	0
Donated/ Contributed PPE						
Assets disposal						
Offsetting of depreciation		-30 980 236			30 980 236	0
Correction of error		0			-36 331 400	
<b>Balance at 30 June 2011</b>		<b>396 506 378</b>			<b>258 579 885</b>	<b>655 086 263</b>
<b>2012</b>						
Correction						
<b>Restated balance</b>		396 506 378			258 579 885	655 086 263
Surplus /Deficit for the year					57 257 417	57 257 417
Capital grants used to purchase PPE		120 685 590			-120 685 590	0
Donated/ Contributed PPE						
Assets disposal					-690 854	-690 854
Offsetting of depreciation		-36 627 832			36 627 832	0
Correction of error					-9 495 514	-9 495 514
<b>Balance at 30 June 2010</b>		<b>480 564 136</b>			<b>221 593 176</b>	<b>702 157 312</b>

MOSES KOTANE LOCAL MUNICIPALITY			
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012			
	Note	2012 R	2011 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Cash receipts from ratepayers, government and other		428 652 371	273 448 592
Interest received	22	6 327 571	10 476 819
		<b>434 979 942</b>	<b>283 925 411</b>
<b>Payments</b>			
Cash paid to suppliers and employees		-254 042 614	-178 650 571
Interest paid	21	-9 047 946	-10 207 201
		<b>-263 090 560</b>	<b>-188 857 772</b>
<b>NET CASH FROM OPERATION ACTIVITIES</b>	27	<b>98 465 720</b>	<b>95 067 639</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-89 754 959	-41 012 388
Proceeds on disposal of property, plant and equipment			0
Loss on disposal of property, plant and equipment			
Decrease in non- current receivables			
Increase in non- current investment			-14 489
Change in estimates of building, correction prior period depreciation out of appropriations		-18 425 181	7 184 245
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>-108 180 140</b>	<b>-33 842 632</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New loans raised	Appendix A	12 000 000	-11 459 671
New loans (repaid)		-11 385 583	
Increase in consumer deposits		0	0
Correction of error			10 807 282
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>614 417</b>	<b>-652 389</b>
<b>NET DECREASE IN CASH AND CASH EQUIPMENT</b>		<b>-9 100 003</b>	<b>60 572 618</b>
Cash and cash equivalents at the beginning of the year		85 986 515	25 413 897
Cash and cash equivalents at the end of the year		<b>76 886 512</b>	<b>85 986 515</b>

## MOSES KOTANE LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### ACCOUNTING POLICIES

##### 1 Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the effective Standards of . Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

##### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

###### Trade receivables / Trade and other receivables

The municipality assesses its trade receivables and loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

###### Fair value estimation

The carrying values of trade receivables and payables are assumed to approximate their fair values.

###### Impairment testing

The recoverable (service) amounts of individual assets and cash-generating units have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value-in-use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors. Management used fair value less cost to sell to determine the recoverable (service) amount of tangible assets with an indefinite useful life.

###### Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at management's best estimate of the expenditure required to settle the obligation. Additional disclosure of these estimates of provisions are included in note 2.1 - Provisions.

###### Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

###### Effective interest rate

The municipality used the prime interest rate rate to discount future cash flows.

## MOSES KOTANE LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### ACCOUNTING POLICIES

##### **Provision for impairment**

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The provision for impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

##### **1.2 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an item of property, plant and equipment is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired non-monetary asset's fair value is not determinable, its deemed cost is the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, or to replace a part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent to initial measurement property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.



## MOSES KOTANE LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### ACCOUNTING POLICIES

After recognition as an asset, an item of property, plant and equipment (Land) whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Infinite
Buildings	30 years
Infrastructure assets	15 - 60 years
Community assets	30 years
Heritage assets	Indefinite
Other items of PPE	2 - 10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment held under finance lease are depreciated over their expected useful lives on the same basis as owned items of property, plant and equipment or, where shorter, the term of the relevant lease.

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference is recognised in surplus or deficit when the item is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

#### 1.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

## MOSES KOTANE LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### ACCOUNTING POLICIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- residual interest of another entity; or
- contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

#### Initial measurement

The municipality measures a financial asset and financial liability initially at its fair value, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### Subsequent measurement

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments designated as at fair value through surplus or deficit.
- Financial instruments held for trading.
- Financial instruments available for sale.
- Financial instruments held to maturity.
- Financial instruments as loans and receivables.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, and reference to the current fair value of another instrument that is substantially the same. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

## MOSES KOTANE LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### ACCOUNTING POLICIES

##### **Reclassification**

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- a combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. The instrument is then reclassified from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

##### **Gains and losses**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

##### **Impairment and uncollectibility of financial assets**

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

##### **Derecognition**

###### **Financial assets**

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer

## MOSES KOTANE LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### ACCOUNTING POLICIES

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### **Financial liabilities**

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

##### **Presentation**

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **1.4**

##### **Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

##### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

##### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Any contingent rent is recognised separately as an expense when paid or payable and are not straight-lined over the lease term.

#### **1.5**

##### **Inventories**

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

## MOSES KOTANE LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### ACCOUNTING POLICIES

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### **1.6 Impairment of cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

#### **Identification**

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

## MOSES KOTANE LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### ACCOUNTING POLICIES

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

##### **Value in use**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

##### **Discount rate**

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

##### **Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

##### **Recognition and measurement (cash-generating unit)**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

## MOSES KOTANE LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### ACCOUNTING POLICIES

##### **Reversal of an impairment loss**

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation)

had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

##### **Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

#### **1.7 Impairment of non-cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

## MOSES KOTANE LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### ACCOUNTING POLICIES

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

##### Identification

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

##### Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

##### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

##### Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

##### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

#### 1.8 Employee benefits

##### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.



## MOSES KOTANE LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### ACCOUNTING POLICIES

##### **Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

##### **1.9 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30 - Disclosures in terms of Sec. 125 of the Municipal Finance Management Act, 2003.

##### **1.10 Revenue from exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

##### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

##### **Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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## MOSES KOTANE LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### ACCOUNTING POLICIES ACCOUNTING POLICIES (Continued)

##### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Service revenue relating to water are recognised based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service revenue relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service revenue relating to sewerage and sanitation are based on the number of sewerage connections on each developed property using tariffs approved from Council and are levied monthly.

Service revenue from the application of the approved tariff of charge is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

Revenue from public contributions are recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received, but the municipality has not met the condition, a liability is recognised.

##### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

#### 1.11

##### Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Fines constitute spot fines and summonses and are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.



## MOSES KOTANE LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### ACCOUNTING POLICIES

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

##### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

##### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

##### **Transfers**

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

##### **Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fines will not be revenue of the collecting entity.

##### **Rates, including collection charges and penalties interest**

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

##### **Gifts and donations, including goods and services in-kind**

Gifts and donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind are not recognised.

##### **Recovery of unauthorised, irregular, fruitless and wasteful expenditure**

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

##### **1.12 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the conditions embodied in the agreement. To the extent that the conditions have not been met a liability is recognised.



## MOSES KOTANE LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### ACCOUNTING POLICIES

**1.13 Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

**1.14 Borrowing costs**

**1.15 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

**1.16 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred.

The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

**1.17 Irregular expenditure**

Irregular expenditure as defined in section 1 of the PFMA is expenditure incurred in contravention of, or that is not in accordance with:

- a requirement of the PFMA; or
- a requirement of the State Tender Board Act (Act No.86 of 1986), or any regulations made in terms of the Act; or
- a requirement in any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, the note to the financial statements must be updated to reflect this.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

**1.18 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred.

The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

**1.19 Budget information**

A reconciliation between the statement of financial performance and the budget has been included in the annual financial statements, as the recommended disclosure as determined by National Treasury, as the annual financial statements and the budget are not on the same basis of accounting. Refer to Appendix E.

**1.20 Presentation of currency**

These annual financial statements are presented in South African Rand.





## MOSES KOTANE LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### ACCOUNTING POLICIES

**1.21 Offsetting**

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

**1.22 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national/provincial/local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

**1.23 Government Grant Reserve**

When items of property, plant & equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance. When such items of property, plant & equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant & equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant & equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

MOSES KOTANE LOCAL MUNICIPALITY		
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2012		
	2012 R	2011 R
<b>1. LONG - TERM LIABILITIES</b>		
Annuity Loans App A	89 145 103	88 530 690
<b>Sub- total</b>	<b>89 145 103</b>	<b>88 530 690</b>
Less : Current portion transferred to current liabilities	8 317 107	11 327 763
<b>Total External Loans</b>	<b>80 827 996</b>	<b>77 202 927</b>
Refer to Appendix A for more detail on long- term liabilities		
<b>2.1 PROVISIONS</b>		
Performance bonus		-
		-
Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists.		
No performance bonuses were paid during the 2011/2012 financial year		
<b>2.1 PROVISIONS</b>		
Accumulated leave of employees of the council	9 389 370	9 216 275
Landfill Site	600 000	300 000
<b>TOTAL PROVISIONS</b>	<b>9 989 370</b>	<b>9 516 275</b>
<b>3. CREDITORS</b>		
Trade creditors	12 674 759	14 406 749
Payments received in advance	4 621 147	3 358 073
Sundry Creditors Suspense	9 681 843	10 000 295
Housing	2 926 190	1 686 792
<b>TOTAL</b>	<b>29 903 939</b>	<b>29 451 909</b>



**MOSES KOTANE LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)**

	2012 R	2011 R
<b>4. UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>4.1 Conditional Grants from other spheres of Government</b>		
MIG Grants	95 784 550	71 599 955
Drought Relieve	439 487	439 487
Extended Public Works Programme	470 456	397 000
Provincial Infrastructure Grant	142 171	3 000 000
Mogwase Library	682 168	
Mabeskraal Library	229 065	
<b>Total Contribution Grants and Receipts</b>	<b>97 747 897</b>	<b>75 436 442</b>

See Note 18 for reconciliation of grants from other spheres of government.

**5. VAT**

VAT Payable	<b>15 336 784</b>	<b>7 305 637</b>
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VAT is payable on the receipt basis. Only once payment is received from debtors VAT is paid over to SARS

**6. PROPERTY, PLANT AND EQUIPMENT  
30 JUNE 2012**

	<b>Land and Buildings</b>	<b>Infrastructure</b>	<b>Community</b>	<b>Heritage</b>	<b>Other</b>
<b>Reconciliation of Carrying Value</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Carrying value at 1 July 2011</b>	<b>48 527 084</b>	<b>594 452 578</b>	<b>48 695 639</b>	<b>14 000</b>	<b>12 013 255</b>
Cost	58 692 013	1 109 906 408	57 389 401	14 000	44 732 313
Correction of error ( note 27)					
Accumulated depreciation	-10 164 929	-515 453 830	-8 693 762	0	-32 719 058
Acquisitions	84 109	39 849 419	3 666 031		4 751 894
Capital under Construction	4 308 804	29 309 216	7 785 486		
Re Classification of Cost	92 632		-92 632		
Disposals on assets		-6 855 803	-300 000		-777 499
Adjustment Grap 17 Implementation		32 645 162	2 658 513		
Depreciation on disposals		1 921 578			690 854
Depreciation	-1 850 689	-63 406 426	-3 996 239		-4 114 282
Prior period error	-144 334	871 759	488 767		
Correction of error on cost	-5 890 866				
Re Classification of Depreciation	6 428 492		-6 428 492		
Impairment	-977 406		-334 983		
Cost					
Accumulated depreciation					
Impairment losses					
Other movement					
<b>Carrying values at 30 June 2012</b>	<b>50 577 826</b>	<b>628 787 483</b>	<b>52 142 090</b>	<b>14 000</b>	<b>12 564 222</b>
Cost	57 286 692	1 204 854 402	71 106 799	14 000	48 706 708
Impairment	-977 406		-334 983		
Accumulated depreciation	-5 731 460	-576 066 919	-18 629 726	0	-36 142 486



MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

6. PROPERTY, PLANT AND EQUIPMENT( Continued)

30 JUNE 2009

	Land and Buildings	Infrastructure	Community	Heritage	Other	Total
Reconciliation of Carrying Value	R	R	R	R	R	R
Carrying value at 1 July 2010	52 964 225	628 749 037	44 630 854	14 000	17 270 972	743 629 088
Cost	61 736 434	1 078 762 575	51 418 246	14 000	43 494 500	1 235 425 755
Correction of error						
Accumulated depreciation	-8 772 209	-450 013 538	-6 787 392	0	-26 223 528	-491 796 667
Acquisitions	2 659 588	31 143 832	5 971 154	0	1 237 814	41 012 388
Capital under Construction						
Depreciation	-1 392 720	-65 440 291	-1 906 369	0	-6 495 531	-75 234 911
Prior period error	-5 704 009					-5 704 009
Carrying value of disposals						
Cost						
Accumulated depreciation						
Correction						
Impairment losses						
Other movement						
Carrying values at 30 June 2011	48 527 084	594 452 578	48 695 639	14 000	12 013 255	703 702 556
Cost	64 396 022	1 109 906 407	57 389 400	14 000	44 732 314	1 276 438 143
Accumulated depreciation	-15 868 938	-515 453 829	-8 693 761	0	-32 719 059	-572 735 587

**MOSES KOTANE LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)**

	<b>2012</b>	<b>2011</b>	
	<b>R</b>	<b>R</b>	
<b>7. INVESTMENTS</b>			
<b>Financial Instruments</b>			
ABSA Fixed Deposit	211 425	198 521	
	<u><b>211 425</b></u>	<u><b>198 521</b></u>	
An amount of R107 700 of the investment is ceded to Escom serving as a electricity deposit at the Civic Centre			
<b>8. INVENTORY</b>			
Maintenance Materials - at cost	2 779 030	3 103 588	
Water at Cost	60 088	50 660	
Unsold Properties held for resale	11 516 600	11 516 600	
<b>Total Inventory</b>	<u><b>14 355 718</b></u>	<u><b>14 670 848</b></u>	
<b>9. CONSUMER DEBTORS</b>	<b>Gross</b>	<b>Provision for</b>	<b>Net Balance</b>
	<b>Balances</b>	<b>Bad Debts</b>	
	<b>R</b>	<b>R</b>	<b>R</b>
<b>As at June 2012</b>			
Service debtors			
Rates	49 186 534	28 296 658	20 889 876
Water	104 265 688	55 291 873	48 973 815
Refuse	8 407 708	4 527 468	3 880 240
Sanitation	4 508 275	2 502 779	2 005 496
Water consumption from last reading until 30 June 2012	3 531 043		3 531 043
<b>Total</b>	<u><b>169 899 248</b></u>	<u><b>90 618 778</b></u>	<u><b>79 280 470</b></u>

MOSES KOTANE LOCAL MUNICIPALITY			
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)			
<b>10. CONSUMER DEBTORS</b>	<b>Gross Balances</b>	<b>Provision for Bad Debts</b>	<b>Net Balance</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>As at June 2011</b>			
Service debtors	112 655 114	-60 344 986	52 310 128
Rates, Refuse, Sewerage and Water			
Water			
<b>Total</b>	<b>112 655 114</b>	<b>-60 344 986</b>	<b>52 310 128</b>
<b>(Rates, Water, and Sewerage) : Ageing</b>			
	<b>2012</b>	<b>2011</b>	
<b>Current(0-30days)</b>	15 741 867	10 956 000	
31 -60 DAYS	8 106 200	5 644 941	
61-90 Days	6 111 348	4 494 963	
91-120 Days	139 939 833	91 559 210	
	<b>-90 618 778</b>	<b>-60 344 986</b>	
<b>Total</b>	<b>79 280 470</b>	<b>52 310 128</b>	
<b>Summary of Debtors by Customer Classification</b>	<b>Consumers</b>	<b>Industrial/ Commercial</b>	<b>National and Provincial Government</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>30 June 2011</b>			
Current 0-30 Days	5 986 579	4 653 639	315 782
31 -60 Days	3 862 314	1 584 259	198 368
61-90 Days	2 941 067	1 352 393	201 503
91-120 Days	51 324 721	31 755 776	8 478 713
<b>Sub Total</b>	<b>64 114 681</b>	<b>39 346 067</b>	<b>9 194 366</b>
Less - Provision for bad debts	-60 344 986		
<b>Total debtors by customer classification</b>	<b>3 769 695</b>	<b>39 346 067</b>	<b>9 194 366</b>
<b>Summary of Debtors by Customer Classification</b>	<b>Consumers</b>	<b>Industrial/ Commercial</b>	<b>National and Provincial Government</b>
<b>30 June 2012</b>			
<b>Current(0-30days)</b>	5 284 512	10 082 769	374 586
31 -60 DAYS	4 773 334	3 177 638	155 228
61-90 Days	4 450 320	1 507 465	153 563
91-120 Days	90 996 458	43 403 924	5 539 451
	<b>105 504 624</b>	<b>58 171 796</b>	<b>6 222 828</b>
Less - Provision for bad debts	<b>-90 618 778</b>		
<b>Total debtors by customer classification</b>	<b>14 885 846</b>	<b>58 171 796</b>	<b>6 222 828</b>
<b>Reconciliation of the bad debts provision</b>	<b>2012</b>	<b>2011</b>	
Balance at the beginning of the year	60 344 986	39 741 083	
Contribution to provision	30 273 792	20 603 903	
Bad debts written off against provision			
Reversal of provision			
Balance at the b end of the year	<b>90 618 778</b>	<b>60 344 986</b>	
<b>11.OTHER DEBTORS</b>	<b>2012</b>	<b>2011</b>	
	<b>R</b>	<b>R</b>	
Sundry Debtors	469 589	468 467	
Suspense Debtors	7 698 917	7 514 929	
Sale of stands Unit 5 Mogwase	361 856	361 856	
Sale of stands		113 396	
<b>Total Other Debtors</b>	<b>8 530 362</b>	<b>8 458 648</b>	
<b>12.CALL INVESTMENT DEPOSITS</b>			
ABSA Call Account Moses Kotane Local Municipality	90 5777 9477	25 618 114	5 851 105
ABSA Call Account MIG	40 6677 8588	92 627 895	67 458 797
ABSA Call Account Extension of the Civic Centre	40 6723 1195	12 459 058	3 288 538
ABSA Call Account Water and Sanitation Project	40 7270 1220	1 566 199	624 716
ABSA Call Account Housing Projects	40 6782 2645	8 395	8 066
<b>Total Call investments</b>		<b>132 279 661</b>	<b>77 231 222</b>



MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012 R	2011 R
<b>13. BANK, CASH AND OVERDRAFT BALANCES</b>		
The municipality has the following bank accounts		
<b>Current Account ( Primary Bank Account )</b>		
ABSA Rustenburg Branch Account Number: 405 041 4471		
Cash book balance at beginning of year	83 374 733	17 213 899
Cash book balance at end of year	1 065 017	8 337 733
Bank Statement balance at beginning of year	4 345 267	13 246 235
Bank Statement balance at end of year	1 579 795	4 345 267
<b>Housing Account</b>		
Account Number: 405 921 9109		
Cash book balance at beginning of year	130 366	439 782
Cash book balance at end of year	552 944	130 366
Bank Statement balance at beginning of year	130 366	439 782
Bank Statement balance at end of year	552 944	130 366
<b>Traffic Account</b>		
Account Number: 407 011 8019		
Cash book balance at beginning of year	281 992	33 090
Cash book balance at end of year	243 997	281 992
Bank Statement balance at beginning of year	281 992	33 090
Bank Statement balance at end of year	243 997	281 992
Petty Cash	2 310	5 202
<b>Total Bank Balance</b>	<b>1 864 268</b>	<b>8 755 293</b>

**MOSES KOTANE LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)**

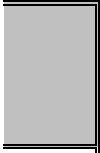
	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>14. PROPERTY RATES</b>		
<b>Actual</b>		
Residential		889 152
Commercial	928 214	2 676 189
State	3 309 801	4 856 512
Holiday Resorts	5 487 495	18 690 616
Mining	20 721 996	1 366 200
	1 447 380	
<b>Total Assessment Rates</b>		<b>28 478 669</b>
<b>Valuations</b>		
Residential	599 816 342.00	308 945 966
Commercial	96 617 402.00	374 738 000
Industrial	173 489 000.00	
State	144 936 000.00	565 907 784
Churches	2 171 000.00	2 171 000
Mining	198 000 000.00	
Other Holiday Resorts	169 533 000.00	
Sun City	503 187 000.00	424 187 000
Municipal	115 911 000.00	154 771 000
Farms and Tribal Land	332 335 456.00	351 465 000
Escom Servitudes	154 005 000.00	15 405 000
Agriculture	154 238 000.00	
<b>Total Property Valuations</b>	<b>2 644 239 200.00</b>	<b>2 197 590 750</b>
<b>15. SERVICE CHARGES</b>		
Sale of water	69 520 289	45 062 869
Refuse removal	3 737 426	731 484
Sewerage and sanitation charge	2 282 306	1 101 129
	<u><b>75 540 021</b></u>	<u><b>46 895 482</b></u>

**MOSES KOTANE LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>16. GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	203 747 000	179 213 533
MIG Grant	102 056 000	32 884 854
Municipal Systems Improvement Grant	1 000 000	1 200 000
Finance Management Grant	1 250 000	1 000 000
Extended Public Works Programme Grant	1 111 000	
DWAF Operating and Maintenance Grant	2 542 000	2 723 000
Mogwasae Libraries Grant	400 000	400 000
Project Management Unit		
Mogwase Library Capital	4 050 000	
Provincial Infrastructure Grant	4 800 000	
<b>Total Government Grants and Subsidies</b>	<b>320 956 000</b>	<b>217 421 387</b>
<b>16.1 Equitable share</b>		
In terms of the Constitution this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy equal to their monthly account with a maximum water consumption of 6 kilolitres.		
All household consumers are receiving a monthly water subsidy of 6 kilolitres		
<b>16.2 MIG Grant</b>		
Balance unspent at beginning of year	71 599 955	19 629 108
Current year receipt	102 056 000	84 855 000
Conditions met - transferred to revenue	-78 570 805	-32 884 854
Incorrect systemj posting during 2011 - To be corrected in subsequent year	699 400	701
Conditions still to be met - transferred to liabilities	<b>95 784 550</b>	<b>71 599 955</b>
<b>16.3 Municipal System Improvement Grant</b>		
Balance unspent at the beginning of year	0	0
Current year receipts	1 000 000	1 200 000
Conditions met - transferred to revenue	-1 000 000	-1 200 000
Conditions still to be met	<b>0</b>	<b>0</b>
<b>16.4 Finance Management Grant</b>		
Balance unspent at the beginning of year	0	0
Current year receipts	1 250 000	1 000 000
Conditions met - transferred to revenue	-1 250 000	-1 000 000
Conditions still to be met	<b>0</b>	<b>2 000 000</b>
<b>16.5 Extended Public Works Programme Grant</b>		
Balance unspent at the beginning of year	397 000	397 000
Current year receipts	1 111 000	
Conditions met - transferred to revenue	-1 037 244	
Conditions still to be met - transferred to liabilities	<b>470 756</b>	<b>397 000</b>
<b>16.6 DWAF Operating and Maintenance Grant</b>		
Balance unspent at the beginning of year		0
Current year receipts	2 542 000	2 723 000
Conditions met - transferred to revenue	-2 542 000	-2 723 000
Conditions still to be met	<b>0</b>	<b>0</b>
<b>16.7 Mogwase Libraries Grant</b>		
Balance unspent at the beginning of year	0	0
Current year receipts	400 000	400 000
Conditions met - transferred to revenue	-170 935	-400 000
Conditions still to be met	<b>229 065</b>	<b>0</b>
<b>16.8 Provincial Infrastructure Grant</b>		
Balance unspent at the beginning of year	3 000 000	0
Current year receipts	4 800 000	3 000 000
Conditions met - transferred to revenue	-7 657 829	
Conditions still to be met	<b>142 171</b>	<b>3 000 000</b>
<b>16.9 Changes in levels of government grants</b>		
Based on the allocations set out in the Division of Revenue Act ( Act no of 2011 )		
The equitable share will increase by 10,6% in the 2012/2013 financial year		
and the MIG allocation will be increased by 6,5% in the 2013/2014 financial year		

MOSES KOTANE LOCAL MUNICIPALITY		
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)		
<b>16.10 Mogwase Libraries Grant</b>	<b>2012</b>	<b>2011</b>
Balance unspent at the beginning of year		0
Current year receipts	4 050 000	400 000
Incorrect system posting during 2011 - To be corrected in subsequent year	398 804	
Conditions met - transferred to revenue	-3 811 635	-400 000
Conditions still to be met	<b>637 169</b>	<b>0</b>
<b>17. OTHER INCOME</b>		
Other	73 937	174 339
Photo Copies	1 500	7 535
Clearance Certificates	5 719	5 559
Refund LGSETA	618 440	215 439
Water Connections	263 490	469 608
Transfer MKDA	5 178	
Advertising	49 815	50 489
Cemetery Fees	16 210	7 226
Interest Received Current Account	204 067	378 485
Property Transfer Fees	300	3 280
Building Inspection Plan Fees	90 301	79 415
Tender Document Sales	309 562	182 463
Blocked Drains	1 674	1 871
Commission Received	80 195	
Surplus on Inventory	9 442	
<b>Total Other Income</b>	<b>1 729 830</b>	<b>1 575 709</b>
<b>18. EMPLOYEE RELATED COSTS</b>		
Employee related costs - salaries and wages	66 123 240	59 967 660
Employee related costs - contribution for UIF,pension and medical aids	16 812 145	15 297 479
Travel, motor car,accomodation,subsistence and other allowances	7 109 777	2 022 070
Housing benefits and allowances	384 874	273 369
Overtime payment	3 544 226	3 599 572
Performance bonus		0
Less :employee cost included in other expenses		0
<b>Total</b>	<b>93 974 262</b>	<b>81 160 150</b>
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	621 853	707 245
Performance Bonuses		
Car allowance	45 000	108 000
Contribution to UIF,medical and pension funds	128 654	161 625
<b>Total</b>	<b>795 507</b>	<b>976 870</b>



MOSES KOTANE LOCAL MUNICIPALITY					
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)					
<b>19. Remuneration of the Chief Finance Officer</b>		<b>2012</b>			<b>2011</b>
		<b>R</b>		<b>R</b>	
Annual remuneration		853 974			816 902
Performance bonuses					
Car allowance		64 200			64 200
Contribution to UIF, medical and pension funds		1 547			1 547
<b>Total</b>		<b>919 721</b>			<b>882 649</b>
<b>Remuneration of Individual Executive Directors</b>	<b>Technical Service</b>	<b>Corporate Services</b>	<b>Community Services</b>	<b>Strategic Management</b>	
<b>30 June 2012</b>					
Annual Remuneration	580 544	625 219	643 913		575 407
Performance bonuses					
Car allowance	78 000	108 000			96 000
Contribution to UIF, medical and pension funds	158 059	83 384	172 712		145 196
<b>Total</b>	<b>816 603</b>	<b>816 603</b>	<b>816 625</b>		<b>816 603</b>
<b>30 June 2011</b>					
Annual Remuneration All Directors	2 303 800				
Performance bonuses					
Car allowance All Directors	312 000				
Contribution to UIF, medical and pension funds All Directors	508 452				
<b>Total</b>	<b>3 124 252</b>				
<b>20. REMUNERATION OF COUNCILLORS</b>		<b>2012</b>			<b>2011</b>
		<b>R</b>			<b>R</b>
Mayor's allowance		384 036			346 510
Speaker		319 420			114 393
Executive Committee member's allowance		5 824 791			2 369 331
Chief Whip		299 297			424 648
Councilor's allowance		2 779 238			5 032 890
Travelling allowance		3 745 934			3 339 721
Telephone		797 427			702 988
Pension Fund Contribution		1 406 353			759 852
Medical Aid Contribution		190 579			248 952
<b>Total Councilors' Remuneration</b>		<b>15 747 075</b>			<b>13 339 285</b>
<b>21. INTEREST PAID</b>					
Long -term liabilities		9 047 946			10 207 201
<b>Total Interest on External Borrowings</b>		<b>9 047 946</b>			<b>10 207 201</b>
<b>22. Interest Received</b>					
Interest received on Investments		6 327 571			3 869 005
<b>23. Bulk purchases</b>					
Water		39 992 456			31 733 454
<b>Total Bulk Purchases</b>		<b>39 992 456</b>			<b>31 733 454</b>
<b>24. GRANT AND SUBSIDIES PAID</b>		None		None	
<b>25. GENERAL EXPENSES</b>					
Rental Operating Lease		686 527			639 865
Included in General Expenses are rental leases for office equipment from Gestetner and Bakwena Systems Integrators (Pty) Ltd. The municipality do not have the option to take over ownership of the equipment when the lease period expires.					

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012 R	2011 R
<b>CORRECTION OF ERROR</b>		
<b>26.1</b>		
Contribution from Government Grants Unspent Conditional Grants - MIG	699 400	
<b>Net effect on surplus/(deficit)</b>	<u>0</u>	<u>0</u>
<b>26.2</b>		
Government Grants Assets Water		
<b>Net effect on surplus/(deficit)</b>	<u></u>	<u>0</u>
<b>Net effect on surplus/(deficit)</b>	<u></u>	<u>0</u>

**MOSES KOTANE LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)**

**27. CASH GENERATED BY OPERATIONS**

		<b>2012 R</b>	<b>2011 R</b>
Surplus/(Deficit)for the year	App E	0	-14 546 043
<b>Adjustment for , -</b>			
Depreciation and amortisation		74 346 503	73 754 677
Debt Impairment		30 602 652	20 632 033
Gain on disposal of property, plant and equipment	App E		
Loss on disposal of property, plant and equipment		-1 539	
Prior Year Adjustments		-16 176 245	
Movements in provisions		473 095	3 896 819
<b>Changes in working capital</b>			
Inventories	22	36 646 530	-7 567 750
Trade and other receivables from exchange transactions		-71 714	-4 103 580
Consumer debtors		-57 244 134	-17 041 391
Trade and other paybles from exchange transactions		-452 030	-13 472 467
VAT		8 031 147	-1 455 506
Unspent conditional grants and receipts		22 311 455	54 970 847
<b>Cash generated by ((utilised in)operations</b>		<b>98 465 720</b>	<b>95 067 639</b>

**28. CASH AND CASH EQUIVALENTS**

**Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:**

Bank balance and cash	13	1 864 268	8 755 293
Bank overdrafts			
Call investment deposits	12	132 279 661	77 231 222
<b>Total cash and cash equivalents</b>		<b>134 143 929</b>	<b>85 986 515</b>

**29. UTILISATION OF LONG -TERM LIABILITIES  
RECOGNISATION**

Long-term liabilities		89 145 103	88 530 690
Used to financed property, plant and equipment - at cost		-76 784 062	-77 504 088
<b>Sub - total</b>		<b>12 361 041</b>	<b>11 026 602</b>

**Cash invested for repayment of long-term liabilities**

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long term liabilities can be repaid on redemption/ payment date. Long term liabilities are annuity loans that are bein repaid monthly, quarterly and half yearly.

**30. UNAUTHORISED, IRREGULAR, FRUITLESS AND  
WASTEFUL EXPENDITURE DISALLOWED**

<b>31.1 Unauthorised expenditure</b>			None
<b>31.2 Fruitless and wasteful expenditure</b>		108 956	108 956



**MOSES KOTANE LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2012 (Continued)**

	<b>2012 R</b>	<b>2011 R</b>
<b>31.3 Irregular expenditure</b>	4 948 763	<b>None</b>
<b>32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>33.1 Contributions to organized local government</b>		
Opening balance	0	0
Council subscriptions	817 365	545 637
Amount paid - current year		
Amount paid - previous year	-817 365	-545 637
<b>Balance unpaid (included in creditors)</b>	<u><u>0</u></u>	<u><u>0</u></u>
<b>33.2 Audit fees</b>		
Opening balance	0	0
Current year audit fee	3 003 615	1 734 456
Amount paid - current year	-3 003 615	
Amount paid - previous year		-1 734 456
<b>Balance</b>	<u><u>0</u></u>	<u><u>0</u></u>
<b>33.3 VAT</b>		
<b>33.4 PAYE, UIF and SDL</b>		
Opening balance	0	0
Current year payroll deductions	17 832 628	10 988 749
Amount paid -current year	-17 832 628	
Amount paid -previous year		-10 988 749
<b>Balance unpaid (included in creditors)</b>	<u><u>0</u></u>	<u><u>0</u></u>
<b>Total</b>	<u><u>0</u></u>	<u><u>0</u></u>

MOSES KOTANE LOCAL MUNICIPALITY			
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)			
<b>33.5 Pension and Medical Aid Deductions</b>	<b>2012</b>	<b>2011</b>	
	<b>R</b>	<b>R</b>	
Opening balance	0	0	
Current year payroll deduction and council contribution			
Amount paid - current year	23 450 034		
Amount paid - previously year		18 141 174	
<b>33.6 Councilor's arrear consumer accounts</b>			
The following councilors had arrear accounts for more than 90 days, or less, as at			
<b>30th June 2012</b>	<b>Total</b>	<b>Outstanding less than 90 days</b>	<b>Outstanding more than 90 days</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Councilor M Nondzaba	8 577	435	8 142
Councilor J Maretele	9 417	464	8 953
Councilor S Motlhaga	3 951	275	3 676
Councilor J Setou	5 318	326	4 992
<b>Total Councilor Arrear Consumer Accounts</b>	<b>27 264</b>	<b>1 500</b>	<b>25 764</b>
<b>30th June 2011</b>	<b>Outstanding less than 90 days</b>	<b>Outstanding more than 90 days</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Councilor L P Molelekeng	2 002	12 466	14 468
Councilor L.T.D Ntsamai	-90	258	168
Councilor M Nondzaba	182	3 617	3 799
Councilor J Mookaneng	-1 504	3 874	2 370
Councilor MP Molo	863	18 163	19 026
Councilor L M J Tshite	584	1 690	2 274
Councilor G.E Ramorwesi	887	6 975	7 862
Councilor A. B SETOU	229	135	364
Councilor Khunou		4 347	4 347
Councilor Pheto	21	492	513
Councilor Maretele J.	484	7 294	7 778
Councilor Motlhaga R	485	2 641	3 126
	<b>4 143</b>	<b>61 952</b>	<b>66 095</b>
<b>34. CAPITAL COMMITMENTS</b>			
<b>Approved in respect of capital expenditure</b>			
Land and Buildings			
Infrastructure	38 576 588		
Community	8 220 990	5 000 000	
Heritage			
Other			
<b>Approved but not yet contracted for</b>			
Land and Buildings	35 000 000	9 200 000	
Infrastructure	90 875 158	104 600 000	
Community	1 500 000	23 270 000	
Heritage			
Other	12 920 000	2 550 000	
<b>Total</b>	<b>187 092 736</b>	<b>144 620 000</b>	
<b>35. RETINGENT BENEFIT INFORMATION</b>	None	None	
<b>36. CONTINGENT LIABILITY</b>			
Refer to note 39			
<b>37. CONTINGENT ASSETS</b>			
<b>38. IN- KIND DONATIONS AND ASSISTANCE</b>	None	None	
<b>39. EVENTS AFTER THE REPORTING DATE</b>			
<b>40. COMPARISON WITH THE BUDGET</b>			
Refer to Appendix E			

## MOSES KOTANE LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

#### DISCLOSURES IN TERMS OF SEC. 125 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003

**41 Subsection 125(1)(a): List of all municipal entities under sole or shared control of the municipality during the financial year and as at the last day of the financial year;**

The Moses Kotane Development Agency (Pty) (Ltd) was established on 8 February 2006. The Council was the only shareholder in the company. The Council resolved (Item 75/11/2011) to disestablish the Moses Kotane Development Agency. The CIPC confirmed on 25 January 2012 that the Municipality's application for de-registration of the Moses Kotane Development Agency is approved. The current status is "Deregistration Process".

**Subsection 125(1)(c): Particulars of any contingent liabilities of the municipality as at the end of the financial year;**

**Claims against the Municipality**

- 1 NORTH WEST DEVELOPMENT CORPORATION (NWDC): BODIRELO INFRASTRUCTURE**  
Claim by NWDC for R 18 000 000 in respect of infrastructure installed by it in Bodirelo Industrial Township during 1990-1991. NWDC also questions municipality's right to hold it liable for the payment of assessment rates.  
This matter could not be resolved and was submitted to the MEC for Local Government in terms of the MFMA.  
From a legal point of view this claim have prescribed in law.

**Claims on behalf of the Municipality**

- 1 CLAIM FOR PAYMENT OF ASSESSMENT RATES: MUNICIPALITY / NWDC**  
The municipality has held NWDC liable for payment of assessment rates in respect of properties "owned" in terms of legislation applicable to municipal rating. The total amount due by NWDC at 30 June 2012, excluding interest, is R 12 800 777.82.  
It was suggested that at the very least NWDC should pay the outstanding rates in respect of all properties other than those situated in Bodirelo, pending resolution of the dispute between the municipality and NWDC. This proposal was formally put to the legal representatives of NWDC and advising that the matter would have to be reported to the MEC and to request the latter to mediate between the parties in terms of sec. 44 of the MFMA, 2003, or alternatively proceed with legal action against NWDC for the recovery of the amount due.  
NWDC is in the process to liaise with the MEC for Economic Affairs to resolve on this matter.
- 2 NATIONAL- AND PROVINCIAL DEPARTMENTS-** The outstanding property rates and service charges for all departments amounts to R 6, 138, 805.55  
The matter has been referred to Provincial Treasury in terms of Section 44 of the MFMA.
- 3 MR. RANAMANE (RANAMANE PHUNGO ATTORNEYS)**  
Ranamane Phungo Attorneys was appointed by the Administrator, Mr. Raedani. The partners split ways and the Municipality mistakenly paid R 214 929.90 to Ranamane Phungo account while money should have been paid to Phungo's account.  
Legal action started to recover R 214 929.90 from Mr. Ranamane.

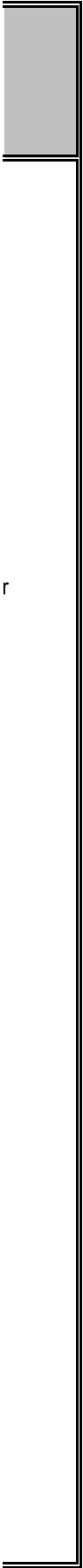
**MOSES KOTANE LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)**

**42 DISCLOSURES IN TERMS OF SEC. 125 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003**

**Subsection 125 (2) (d) (i) and (ii): Material losses and material irregular or fruitless expenditure and fraudulent transactions.**

- 1 Material loss of R 214 929.90 mistakenly paid to Mr. Ranamane instead of Mr. Phungo as result of split between Ranamane and Phungo.  
Mr P Phungo was then paid for the service rendered by him.  
The amount of R 214 929.90 is recoverable and legal action to this effect has already started.
- 2 Irregular expenditure amounting to R 349 530.16 by HOD: Community Services, Mr. Tshivhase. Mr. Tshivhase has been suspended and is currently subject to a disciplinary enquiry.  
The expenditure is however not fruitless and wasteful since services had been delivered.
- 3 Fruitless and wasteful expenditure of R 2 158 063.34 on payouts to Mr. C. Shimate as a result of non compliance to an arbitration award of the CCMA and non implementation of Labour Court Order to re-instate Mr. Shimate as Manager in the Office of the Speaker.
- 4 Irregular expenditure of R 15 000.00 to Face of the Earth Trading and Projects (R 7 500.00) and Mr. S.B. Makiti (R 7 500.00) for services rendered within Speakers Office.  
The expenditure is however not fruitless and wasteful since services had been delivered.
- 5 The Mogwase Landfill Site. Irregular expenditure of R 285 000.00 to Mogaki Civil Services  
The Service provider not appointed by means of approved SCM policy and regulations  
The expenditure is however not fruitless and wasteful since services had been delivered.
- 6 The Madikwe Landfill Site. Irregular expenditure of R 503 833.29 to Mokaila Construction  
The Service provider not appointed by means of approved SCM policy and regulations  
The expenditure is however not fruitless and wasteful since services had been delivered.
- 7 Bakwena System Integrators. Irregular expenditure of R 1 386 750.52 photo copying services  
The Service provider not appointed by means of approved SCM policy and regulations  
The expenditure is however not fruitless and wasteful since services had been delivered.
- 8 Irregular expenditure of R 18 830.00 to L. Rakoma (R 7 000.00), J. Lewane (R 1 830.00) and L. Mosito (R 10 000.00) for services rendered in Speakers Office.  
The expenditure is however not fruitless and wasteful since services had been rendered
- 9 Irregular expenditure of R 16 825.75 to Creative Being Art Work for overalls at Mandela Day  
The expenditure is however not fruitless and wasteful since services had been rendered



MOSES KOTANE LOCAL MUNICIPALITY							
APPENDIX A							
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012							
EXTERNAL LOANS	INTEREST RATE	LOAN NUMBER	REDEEMABLE	Balance at 30/06/2011	Received during the period	Redeemed written off during the period	Balance at 30/06/2012
LONG - TERM LOANS				R	R	R	R
ANNUITY LOANS				-			
ABSA							
Annuity Loan	13.40%	30-0789-0423	30/09/2011	314 547		314 547	0
Annuity Loan	8.00%	70057781	01/07/2011	5 717		5 717	0
Annuity Loan	8.00%	70057790	01/07/2011	1 915		1 915	0
Annuity Loan	8.00%	70057803	01/07/2011	398		398	0
Annuity Loan	8.00%	73443909	01/02/2012	80 156		80 156	0
Annuity Loan	8.00%	73443933	01/02/2012	80 156		80 156	0
Annuity Loan	9.00%	8065717250		1 430 456		40 583	1 389 873
Annuity Loan	8.00%	78652344	7/04/2014	133 852		41 095	92 757
Annuity Loan	8.00%	78652280	7/04/2014	133 852		41 095	92 757
Annuity Loan	8.00%	78652018	28/04/2014	209 164		64 217	144 947
Annuity Loan	8.00%	78652832	28/04/2014	163 786		50 285	113 501
Annuity Loan	8.00%	78653146	23/04/2014	163 786		50 285	113 501
Annuity Loan	8.00%	78653030	23/04/2014	163 786		50 285	113 501
Annuity Loan	8.00%	78652905	23/04/2014	163 786		50 285	113 501
Annuity Loan	8.00%	78652999	23/04/2014	163 786		50 285	113 501
Annuity Loan	8.00%	78652069	23/04/2014	163 786		50 285	113 501
Annuity Loan	8.00%	78651917	28/02/2014	137 470		42 206	95 264
Annuity Loan	8.00%	78671136	23/04/2014	117 640		36 118	81 522
Annuity Loan	8.00%	78671314	12/07/2013	1 029 275		317 669	711 606
Annuity Loan	8.00%	78652298	07/04/2014	341 146		105 289	235 857
Annuity Loan	8.00%	78652409	07/04/2014	190 331		190 331	0
Annuity Loan	8.00%	78652263	07/04/2014	327 995		100 701	227 294
Annuity Loan	8.00%	78653588	25/03/2014	82 820		25 427	57 393
Annuity Loan	8.00%	78653006	25/03/2014	83 735		25 709	58 026
Annuity Loan	8.00%	78652891	25/03/2014	83 761		25 716	58 045
Annuity Loan	8.00%	78652417	7/04/2014	133 815		41 083	92 732
Annuity Loan	8.00%	78655114	25/03/2014	83 761		25 716	58 045
Annuity Loan	8.00%	78655262	25/03/2014	83 761		25 716	58 045
Annuity Loan	8.00%	78652611	25/03/2014	83 761		25 716	58 045
Annuity Loan	8.00%	78654916	25/03/2014	83 761		25 716	58 045
Annuity Loan	8.00%	78653952	25/03/2014	95 045		95 045	0
Annuity Loan	8.00%	78653430	25/03/2014	83 761		25 716	58 045
Annuity Loan	8.00%	78652174	27/05/2014	190 009		58 643	131 366
Annuity Loan	8.00%	78652743	26/03/2014	327 102		100 426	226 676
Annuity Loan	8.00%	78651992	04/06/2014	68 022		20 884	47 138
Annuity Loan	8.00%	78652042	27/05/2014	190 009		58 643	131 366
Annuity Loan	8.00%	78652522	27/05/2014	174 812		53 670	121 142
	10.97						-
Annuity Loan		Civic Centre			12 000 000		12 000 000
TOTAL ABSA				7 364 721	12 000 000	2 397 729	16 966 992
INCA							
Annuity Loan	14.00%	MOSE-00-0001	30/12/2014	10 366 917		1 062 757	9 304 160
Annuity Loan	11.40%	MOSE-00-0003	31/12/2024	11 823 179		618 860	11 204 319
Annuity Loan	11.83%	9078	31/12/2027	9 336 175		208 340	9 127 835
Annuity Loan	13.85%	18721	28/03/2024	2 865 104		87 463	2 777 641
TOTAL INCA				34 391 375	0	1 977 420	32 413 955
DBSA							
Annuity Loan	11.44%	100840	29/06/2024	7 459 158		267 634	7 191 524
Annuity Loan	11.44%	100840	29/06/2024	6 068 551		218 981	5 849 570
Annuity Loan	10.03%	101899	30/06/2021	3 804 582		234 618	3 569 964
Annuity Loan	8.80%	102482	31/12/2023	24 276 791		1 123 694	23 153 097
Annuity Loan	6.75%	27348	30/09/2011	5 165 507		5 165 507	0
TOTAL DBSA				46 774 589	0	7 010 434	39 764 155
TOTAL LOANS OUTSTANDING				88 530 686	12 000 000	11 385 583	89 145 103

MOSES KOTANE LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

		cost / revaluation								Accumulated Depreciation								
	Opening Balance June 2011	Reclassification	Re Vised Opening Balance	Additions	Under Construction	Grap 17 Implem Adjustments	Correction	Disposals	Closing Balance	Opening Balance	Reclassification	Re Vised Opening Balance	Additions	Impairment	Grap 17 Implem Adjustments	Prior year Depreciation Adjustment	Disposals	Closing Balance
	R	R		R	R			R	R	R	R	R	R	R		R		R
Land and Buildings																		
Land	14 468 915		14 468 915				-5 890 866		8 578 049									
Buildings	44 223 098	92 632	44 315 730	84 109	4 308 804				48 708 643	10 164 929	-6 428 492	3 736 437	1 850 689	977 406		144 334		6 708 866
Total	58 692 013	92 632	58 784 645	84 109	4 308 804		-5 890 866	0	57 286 692	10 164 929	-6 428 492	3 736 437	1 850 689	977 406		144 334		6 708 866
Infrastructure																		
Roads	387 199 505	20 003 347	407 202 852	6 194 512	12 199 087	1 863 097			427 459 548	185 439 893	3 282 173	188 722 066	34 126 812			35 014		222 883 892
Storm water	4 849 745	-4 849 745	0						0	183 756	-183 756	0						0
Bridges	5 283 023	-5 283 023	0						0	659 976	-659 976	0						0
Sewerage Mains & Purificati	49 276 330	14 000 000	63 276 330		7 091 311				70 367 641	20 940 974	10 943 334	31 884 308	2 569 826			-795 170		33 658 964
Street lighting	44 392 484	-9 870 580	34 521 904	231 435	1 124 283	2 814 679			38 692 301	6 436 350	-2 438 441	3 997 909	1 877 417			17 298		5 892 624
Water Reticulation	320 360 997	-34 412 746	285 948 251	20 642 343	5 592 402	21 651 341			333 834 337	71 891 504	59 477 906	131 369 410	9 795 326			-537 870		140 626 866
Water Boreholes	20 161 478	21 049 082	41 210 560	288 080	110 353	2 569 041		-5 372 033	38 806 001	9 191 294	6 291 858	15 483 152	3 871 893			-223 072	-1 280 763	17 851 210
Water Pump Stations	5 024 071	-460 000	4 564 071					-216 876	4 347 195	4 293 048	-1 820 784	2 472 264	243 889				-103 210	2 612 943
Reservoirs – Water	56 308 980	6 413 188	62 722 168	5 551 553	1 991 548	2 793 407		-1 266 894	71 791 782	47 285 788	-28 828 056	18 457 732	3 344 088			739 111	-537 605	22 003 326
Water Treatment Works	22 470 096	-13 540 000	8 930 096			893 844			9 823 940	19 197 688	-15 002 815	4 194 874	603 457			-95 717		4 702 614
Water Bulk Pipelines	180 940 000	6 950 477	187 890 477	5 154 542	1 200 231	59 753			194 305 003	149 765 994	-31 061 443	118 704 551	6 128 566			-11 353		124 821 764
Refuse Disposal Site	13 639 700		13 639 700	1 786 954					15 426 654	167 564		167 564	845 152					1 012 716
Total	1 109 906 409	0	1 109 906 409	39 849 419	29 309 215	32 645 162	0	-6 855 803	1 204 854 402	515 453 829	0	515 453 830	63 406 426			-871 759	-1 921 578	576 066 919
Community Assets																		
Parks & Gardens	5 900 618	265 950	6 166 568	92 100					6 258 668	1 878 570	-101	1 878 469	210 698			-8 639		2 080 528
Libraries	3 896 349	-997 652	2 898 697	29 021	3 811 635				6 739 353	1 041 421	-157 287	884 134	86 401			1 822		972 357
Recreational Grounds	16 042 964	699 223	16 742 187	1 408 278	3 034 315			-300 000	20 884 780	2 796 847	2 348 958	5 145 805	1 343 494			-530 633		5 958 666
Civic Buildings	27 497 314	-60 153	27 437 161	2 136 632	939 536	2 658 513			33 171 842	1 076 176	5 112 858	6 189 034	2 028 201	334 983		52 502		8 604 720
Cemeteries	4 052 156		4 052 156	0					4 052 156	1 900 748	-875 936	1 024 812	327 445			-3 819		1 348 438
Total	57 389 401	-92 632	57 296 769	3 666 031	7 785 486	2 658 513	0	-300 000	71 106 799	8 693 762	6 428 492	15 122 254	3 996 239	334 983		-488 767		18 964 709
Heritage Assets																		
Sculpture	14 000		14 000						14 000			0						
Total	14 000		14 000	0	0		0	0	14 000			0						
Total carried forward	1 226 001 823	0	1 226 001 823	43 599 559	41 403 505	35 303 675	-5 890 866	-7 155 803	1 333 261 893	534 312 520	0	534 312 521	69 253 354	1 312 389	0	-1 216 192	-1 921 578	601 740 494

Carrying
Carrying
Value
June 2012
R
8 578 049
41 999 777
50 577 826
204 575 656
0
0
36 708 677
32 799 677
193 207 471
20 954 791
1 734 252
49 788 456
5 121 326
69 483 239
14 413 938
628 787 483
4 178 140
5 766 996
14 926 114
24 567 122
2 703 718
52 142 090
14000
14 000
731 521 399



MOSES KOTANE LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012 (Continued)

	Opening Balance June 2011	Reclassification	Re Vised Opening Balance	Additions	Under Construction	Grap 17 Implem Adjustments	Correction	Disposals	Closing Balance	Opening Balance	Reclassification	Re Vised Opening Balance	Additions	Impairment	Grap 17 Implem Adjustments	Prior year Depreciation Adjustment	Disposals	Closing Balance	Carrying Value June 2012
	R	R		R	R		R	R	R	R	R		R	R			R	R	R
Total brought forward	1 226 001 823	0	1 226 001 823	43 599 559	41 403 505	35 303 675	-5 890 866	-7 155 803	1 333 261 893	534 312 520	0	534 312 521	69 253 354	1 312 389	0	-1 216 192	-1 921 578	601 740 494	731 521 399
Leased Assets																			
Other Assets																			
Furniture & Fitting	4 536 908		4 536 908	686 412				-650 745	4 572 575	4 038 772		4 038 772	289 318				-650 745	3 677 345	895 230
Motor vehicles	26 960 285		26 960 285	3 143 289				-126 754	29 976 820	18 867 795		18 867 795	2 388 065				-40 109	21 215 751	8 761 069
Office Equipment	6 455 146		6 455 146	538 951					6 994 097	4 941 538		4 941 538	691 759					5 633 297	1 360 800
Plant and Equipm	6 779 974		6 779 974	383 242					7 163 216	4 870 953		4 870 953	745 140					5 616 093	1 547 123
Total	44 732 313		44 732 313	4 751 894				-777 499	48 706 708	32 719 058		32 719 058	4 114 282	0			-690 854	36 142 486	12 564 222
Total assets	1 270 734 136	0	1 270 734 136	48 351 453	41 403 505	35 303 675	-5 890 866	-7 933 302	1 381 968 601	567 031 578		567 031 579	73 367 636	1 312 389	0	-1 216 192	-2 612 432	637 882 980	744 085 621

**MOSES KOTANE LOCAL MUNICIPALITY**

**APPENDIX C**

**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012**

		COST							Accumulated Depreciation								
	Opening Balance	Reclassification	Additions	Under Construction	rap 17 Imple Adjustments	Correction	Disposals	Closing Balance	Opening Balance	Reclassification	Additions	Impairment	rap 17 Imple Adjustments	Prior year Depreciation Adjustment	Disposals	Closing Balance	Carrying value
	R	R	R	R			R	R	R	R	R			R	R	R	R
Executive & Council	8 614 349		923 512				-404 938	9 132 923	4 704 051		766 413				-404 938	5 065 526	4 067 397
Municipal Manager								0								0	0
Budget and Treasury Office	1 914 765		3 163					1 917 928	1 262 690		218 661					1 481 351	436 577
Corporate Services: Properties	89 714 956	32 478	2 632 296	5 248 340	2 658 513	-5 890 866	-245 807	94 149 910	5 556 786	-1 315 634	3 878 890	1 312 389		196 836	-245 807	9 383 460	84 766 450
Corporate Services: Other Admin	2 852 701		346 070					3 198 771	794 007		313 601					1 107 608	2 091 163
Planning & Development	1 836 128		402 126				-126 754	2 111 500	2 092 206		916 147				-40 109	2 968 244	-856 744
Libraries and Archives	4 210 513	-997 652	29 021	3 811 635				7 053 517	698 550	-157 287	86 401			1 822		629 486	6 424 031
Cemeteries	4 603 586							4 603 586	1 973 927	-875 936	327 445			-3 819		1 421 617	3 181 969
Community Services Other								0								0	0
Public Safety Streetlighting	1 972 836	-9 870 579	231 435	1 124 283	2 814 679			-3 727 346	1 987 665	-2 438 441	1 877 417			17 298		1 443 939	-5 171 285
Public Safety Other								0						-128 901		-128 901	128 901
Sport & Recreation	23 523 155	965 173	1 766 361	3 034 315			-300 000	28 989 004	5 799 655	2 348 857	1 554 192			-539 272		9 163 432	19 825 572
Waste Water Management Sewerage	49 486 376	14 000 000		7 091 311				70 577 687	20 940 582	10 943 334	2 569 826			-795 170		33 658 572	36 919 115
Waste Management Solid Waste	13 639 700		1 786 954					15 426 654	167 564		845 152					1 012 716	14 413 938
Road Transport: Roads	460 126 865	9 870 579	8 594 000	12 199 087	1 863 097			492 653 628	200 141 571	2 438 441	36 026 272			35 014		238 641 298	254 012 330
Water	608 238 203	-13 999 999	31 636 518	8 894 534	27 967 386		-6 855 803	655 880 839	320 912 326	-10 943 334	23 987 219				-1 921 578	332 034 633	323 846 206
TOTAL	1 270 734 133	0	48 351 456	41 403 505	35 303 675	-5 890 866	-7 933 302	1 381 968 601	567 031 580	0	73 367 636	1 312 389		-1 216 192	-2 612 432	637 882 981	744 085 620

**MOSES KOTANE LOCAL MUNICIPALITY**

**APPENDIX D**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012**

2011	2011	2011		2012	2012	2012
Actual	Actual	Surplus/	SEGMENTAL DEPARTMENT	Actual	Actual	Surplus/
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R	R	R		R	R	R
65 449	56 151 210	-56 085 761	Executive & Council		61 623 557	-61 623 557
	2 906 072	-2 906 072	Municipal Manager		3 832 323	-3 832 323
203 470 839	25 536 773	177 934 066	Budget and Treasury Office	287 443 642	34 291 244	253 152 398
	10 505 771	-10 505 771	Corporate Services: Properties	0	14 833 173	-14 833 173
215 439	29 735 333	-29 519 894	Corporate Services: Other Admin	618 440	30 293 968	
79 415	11 493 128	-11 413 713	Planning & Development	90 301	12 338 823	-12 248 522
407 535	890 412	-482 877	Libraries and Archives	172 435	772 056	-599 621
7 226	1 260 238	-1 253 012	Cemeteries	16 210	892 320	-876 110
	2 030 373	-2 030 373	Community Services Other		2 036 542	
	6 180 519	-6 180 519	Public Safety Streetlighting		9 348 789	
	1 932 633	-1 932 633	Public Safety Other	3 653 750	2 300 747	
0	10 059 013	-10 059 013	Sport & Recreation	0	10 583 577	-10 583 577
6 349 000	5 208 458	1 140 542	Waste Water Management Sewerage	8 382 306	5 815 833	2 566 473
17 347 484	15 921 110	1 426 374	Waste Management Solid Waste	20 537 426	20 623 784	-86 358
2 228 519	59 011 325	-56 782 806	Road Transport: Roads	1 718 690	51 431 815	-49 713 125
74 899 478	93 901 847	-19 002 369	Water	98 071 731	115 536 754	-17 465 023
						0
<b>305 070 384</b>	<b>332 724 215</b>	<b>-27 653 831</b>	<b>Sub Total</b>	<b>420 704 931</b>	<b>376 555 305</b>	<b>44 149 626</b>
	-13 107 788	13 107 788	Less: Inter-departmental charges		-13 107 791	-13 107 791
<b>305 070 384</b>	<b>319 616 427</b>	<b>-14 546 043</b>	<b>Total</b>	<b>420 704 931</b>	<b>363 447 514</b>	<b>31 041 835</b>
		<b>-14 546 043</b>	<b>Deficit</b>			<b>57 257 417</b>

**MOSES KOTANE LOCAL MUNICIPALITY**

**APPENDIX E**

**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 20102**

	2012	2012		2012	2012	2012	Explanation of Significant Variances greater than 10% versus Budget
REVENUE	Budget			Actual	Variance	Variance	
	Approved	Adjustment	Final				
	R	R	R	R	R	%	
Property rates (see note 14)	32 584 400	0	32 584 400	31 894 887	689 513	2.12%	The increase is due to more accurate water billing charges Thcouncil has implemented the E-Venus system as from December 2010 More funds were invested than anticipated for Debtors are not committed to pay for services and therefore the incease The accrual basis for traffice fines has been applied and therefore the increas in traffic fines which represents outsatanding fines
Service charges (see note 15)	56 295 298	-2	56 295 296	75 540 021	-19 244 725	-34.19%	
Rental of facilities and equipment					-		
Interest earned - external investments	3 000 000	500 000	3 500 000	6 327 571	-2 827 571	-80.79%	
Interest earned - outstanding debtors	12 000 000	0	12 000 000	13 208 299	-1 208 299	-10.07%	
Traffic Fines	2 000 000	120 910	2 120 910	3 653 750	-1 532 840	-72.27%	
Dividends							
Licenses and permits							
Sale of Stands			-	420 289			
Government grants and subsidies	212 467 000	3 366 058	215 833 058	211 078 169	4 754 889	2.20%	
Government grants and subsidies MIG				76 852 115	-76 852 115		MIG commitments met and transferred to revenue
Other income (see note 17)	2 684 330	6 000	2 690 330	1 729 830	960 500	35.70%	Provision has not been made for the sale of stands
					-		
					-		
					-		
Gains on disposal of property,			-				
Plant and equipment					-		
Less: Income forgone	-	-	-	-			
Transfer from Appropriations					-		
					-		
<b>Total Revenue</b>	<b>321 031 028</b>	<b>3 992 966</b>	<b>325 023 994</b>	<b>420 704 931</b>	<b>317 038 062</b>	<b>31,52%</b>	
					-		
<b>EXPENDITURE</b>					-		
Executive & Council	60 509 251	4 214 055	64 723 306	61 623 557	3 099 749	4.79%	
Municipal Manager	4 440 654	-817 397	3 623 257	2 241 917	1 381 340	38.12%	The municipal Manager was suspended and received a settle amount for only a few months wich is less than his total package for the year
Budget and Treasury Office	31 775 725	-3 072 481	28 703 244	28 422 297	280 947	0.98%	
Corporate Services: Properties	16 976 477	-1 250 941	15 725 536	14 833 173	892 363	5.67%	
Corporate Services: Other Admin	40 634 346	-10 923 043	29 711 303	27 090 343	2 620 960	8.82%	
Planning & Development	14 087 078	-1 422 697	12 664 381	11 726 971	937 410	7.40%	
Libraries and Archives	1 609 179	-37 905	1 571 274	772 056	799 218	50.86%	Savings on depreciaionn charges
Cemeteries	1 464 341	-346 984	1 117 357	892 320	225 037	20.14%	Saving on repair and maintenance and finance charges
Community Services Other	984 683	606 725	1 591 408	1 481 083	110 325	6.93%	
Public Safety Streetlighting	7 388 507	1 467 730	8 856 237	9 348 789	-492 552	-5.56%	
Public Safety Other	2 114 564	-28 654	2 085 910	2 300 747	-214 837	-10.30%	Overspent on salaries due to the acting of the Head of Unit as director of Community Services due to the suspension of the director by the council
Sport & Recreation	12 017 939	-938 406	11 079 533	10 583 577	495 956	4.48%	
Waste Water Management Sewerage	7 251 146	-3 026 617	4 224 529	5 815 833	-1 591 304	-37.67%	The overspent is due to the under provision for depreciation
Waste Management Solid Waste	21 358 645	-8 228	21 350 417	20 623 784	726 633	3.40%	
Road Transport: Roads	38 619 220	5 051 342	43 670 562	50 154 313	-6 483 751	-14.85%	The overspent is due to the under provision for depreciation
Water	115 539 512	2 593 600	118 133 112	115 536 754	2 596 358	2.20%	
					-		
<b>Total Expenditure</b>	<b>376 771 269</b>	<b>-7 939 903</b>	<b>368 831 366</b>	<b>363 447 514</b>	<b>384 711 172</b>	<b>9.08%</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>-55 740 241</b>	<b>11 932 869</b>		<b>57 257 417</b>			

MOSES KOTANE LOCAL MUNICIPALITY

APPENDIX F

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012

							Explanation of Significant Variances greater than 5% versus Budget
SEGMENTAL DEPARTMENT	2012	2012	2012	2012	2012	2012	
	Actual	Under	Total	Budget	Variance	Variance	
		Construction	Additions				
	R	R	R	R	R	%	
Executive & Council	923 512		923 512	1 060 000	136 488	13%	Saving on the purchase of office equipment
Municipal Manager			0	30 000	30 000	100%	Saving on the purchase of office equipment
Budget and Treasury Office	3 163		3 163	660 000	656 837	100%	The purchase of electronic equipment for the meter readers did not realise
Corporate Services: Properties	2 632 296	5 248 340	7 880 636	21 992 914	14 112 278	64%	The erection of Community Halls and extension of the Civic Centre
							Will only realise in the 2010/2011 Financial Year
Corporate Services: Other Admin	346 070		346 070	1 550 000	1 203 930	78%	Saving on the purchase of office equipment
Planning & Development	402 126		402 126	9 200 000	8 797 874	96%	Various capital projects did not come of the ground as expected
Libraries and Archives	29 021	3 811 634	3 840 655	9 900 000	6 059 345	61%	The erection of libraries are still in the planning fase
Cemeteries			0	3 000 000	3 000 000	100%	These projects will be executed during the 2012/2013 financial year
Public Safety Streetlighting	231 435	1 124 283	1 355 718	15 000 000	13 644 282	91%	The contractors has been appointed and the projects
							will be completed during the first half of the year
Sport & Recreation	1 766 361	3 034 315	4 800 676	14 139 145	9 338 469	66%	The contractors has been appointed and the projects
							will be completed during the first half of the year
Waste Water Management Sewerage		7 091 311	7 091 311	18 288 497	11 197 186	61%	The contractors has been appointed and the projects
							will be completed during the first half of the year
Waste Management Solid Waste	1 786 954		1 786 954	675 774	-1 111 180	-164%	The expenditure on this report was under estimated
Road Transport: Roads	8 594 000	12 199 087	20 793 087	38 412 698	17 619 611	46%	Late implementation of projects as well as labour issues in the
							Project Management Unit influenced the execution of the capital projects
Water	31 636 518	8 894 534	40 531 052	80 306 815	39 775 763	50%	Late implementation of projects as well as labour issues in the
							Project Management Unit influenced the execution of the capital projects
<b>TOTAL</b>	<b>48 351 456</b>	<b>41 403 504</b>	<b>89 754 960</b>	<b>214 215 843</b>	<b>-124 460 883</b>		

**MOSES KOTANE LOCAL MUNICIPALITY**

**APPENDIX G**

**DISCLOSURES IN TERMS OF SECTION 123 OF THE MFMA: GRANTS AND SUBSIDIES RECEIVED FOR THE YEAR ENDED 30 JUNE 2012**

Name of Grant	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and subsidies delay/withheld				Reason for delay/withholding of funds	Did your Municipality comply with the grant framework in the latest	Reason for non-compliance
															Division of Revenue Act	
		September	December	March	June	September	December	March	June	September	December	March	June			
Equitable Share	DPLG	84 898 000	65 129 000	53 720 000		50 936 750	50 936 750	50 936 750	50 936 750	None	2 790 000	None	None	Underspending	Yes	
Municipal Systems Improvement	DPLG	1 000 000				400 000	43 000	397 000	160 000	None	None	None	None	on MIG	Yes	
Finance Management	DPLG	1 250 000				210 000	597 000	263 000	180 000	None	None	None	None		Yes	
Municipal Infrastructure	DPLG	500 000	48 050 000	53 506 000		21 866 000	25 166 000	8 961 000	22 577 805	None	None	None	None		Yes	
DWAF Operating and Maintenance	DWAF	847 000	847 000	848 000		847 000	847 000	848 000		None	None	None	None		Yes	
Extended Public Works Programme	DPLG		1 111 000				90 000	60 521	866 023							

MOSES KOTANE LOCAL MUNICIPALITY			
APPENDIX H			
STATISTICAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2012			
General statistics	2012	2011	
Population	236 845	236 845	
Registered voters	116 000	116 000	
Valuation date: January 2008 with effect from 1 July 2008			
Total valuations			
Market Value	2 644 239 200	2 197 590 750	
Provisional Supply Land			
Valuation Roll Improvements			
Improved			
Assessment rates	0		
Calculated on the improved value of the property			
Residential per rand	0.0022	0.0021	
Less 17,000 on valuation plus a rebate of 20% if developed		Less 17,000 on valuation plus a rebate of 20% if developed	
	0.0731	0.0690	
Mining	0.0211	0.0199	
Commercial	0.0309	0.0292	
Other properties and right in land	0.0324	0.0306	
Sun City	0.0475 less 20%	0.0449 less 20%	
Government properties and Tertiary I			
Industrial	0.0086	0.0081	
Number of properties			
Residential Formal	4 437	4 437	
Commercial Formal	63	63	
Churches Formal	42	42	
Service charges: (Per site)			
<b>Refuse Removal</b>			
Residential Madikwe	18.40 plus VAT	17.36 plus VAT	
Commercial Madikwe	36.80 plus VAT	34.72 plus VAT	
Residential Mogwase	18.40 plus VAT	17.36 plus VAT	
Commercial Mogwase	36.80 plus VAT	34.72 plus VAT	
<b>Sewerage</b>			
Residential Madikwe	17.36 plus VAT	17.36 plus VAT	
Commercial Madikwe	34.72 plus VAT	34.72 plus VAT	
Residential Mogwase	17.36 plus VAT	17.36 plus VAT	
Commercial Mogwase	17.36 plus VAT	17.36 plus VAT	
Industries	4.24 on 60% of water consumed	4.24 on 60% of water consumed	
<b>Water</b>			
Residential	0 to 6kl Free of Charge	0 to 6kl Free of Charge	
	6.1 to 45 kl R9.2	6.1 to 45 kl R8.36	
	45.1kl and above R10.57	45.1kl and above R9.61	
Small Business and State Department	0 to 45kl R9.2	0 to 45kl R8.36	
	45.1kl and above R11.02	45.1kl and above R10.02	
Bulk Consumers	R6.94 per kl	R6.31 per kl	
Industrial and large consumers	R9.5 per kl	R8.62 per kl	
All water tariffs are excluding VAT			
<b>Water Statistics</b>			
Number of users	20 761	20 174	
KI Purchased	12 237 706	11 786 455	
KI Sold	9 183 126	5 643 729	
Free basic KI	859 181	1 373 184	
KI Lost in distribution	2 195 399	4 769 542	
Percentage lost in distribution	18	40	
Cost per kl bought	3.160	2.720	
Loss in distribution	2 195 399	4 769 542	
Cost per kl sold	3 009 711.40	12.79	
Income per kl sold	4.06	7.77	
Number of employees	400	395	
Number of councillors	62	60	